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Government Seeking Public Input on Proposed Regulations for Defined Benefit Pension Plans

Related documents:

- Solvency Funding Relief Regulations
- Regulatory Impact Analysis Statement

Minister of Finance Jim Flaherty today released proposed regulations to ease the funding of federally regulated defined benefit pension plans.

The measures would cover defined benefit pension plans established for employees working in areas that fall under federal jurisdiction—about 10 per cent of all plans in Canada.

In recent years, declining long-term interest rates, as well as changes to actuarial standards, have led to solvency deficits—the amount by which a plan's liabilities exceed its assets on a wind-up basis. The proposed regulations, announced in Budget 2006, set out options to help fund these deficits.

"The proposed measures will provide safeguards for plan members and promote the long-term health and viability of federally regulated defined benefit pension plans," said Minister Flaherty. "The intent of these measures is to help re-establish full funding of plans in an orderly manner, while also protecting pension benefits."

Sponsors of defined benefit pension plans would be able to choose one of the following options for relief:

- Consolidate previous solvency payment schedules and amortize the entire solvency deficiency over a single, new five-year period.
- Extend the solvency funding payment period to 10 years from 5 years with buy-in from members and retirees.
- Extend the solvency funding payment period to 10 years when the difference between the 5-year and 10-year level of payments is secured

by a letter of credit.

- Extend the solvency funding payment period to 10 years for federal agent Crown corporations with terms and conditions to ensure a level playing field.

The regulations are being released today for public comment. The official pre-publication in the *Canada Gazette* will be on June 10, 2006. At that time, interested persons may make representations concerning the proposed regulations within 30 days, prior to final consideration by the Government.

The Superintendent of Financial Institutions indicates that until the proposed regulations are finalized and come into force, pension plans are expected to prepare actuarial reports using current regulations governing pension funding and to file those reports within six months of the valuation date. Once the proposed regulations come into force, pension plans will have the option of re-filing an actuarial report with the same valuation date in order to apply the proposed funding relief measures. The Superintendent of Financial Institutions will provide further guidance shortly.

Further information is available on the Department of Finance website at www.fin.gc.ca.

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